

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 12581 01 OF 02 240852Z
ACTION EA-12

INFO OCT-01 ISO-00 TRSE-00 AID-05 COME-00 EB-08 SP-02
CIAE-00 INR-10 NSAE-00 /038 W
-----035228 240925Z /11
R 240828Z JUL 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9002

LIMITED OFFICIAL USE SECTION 01 OF 02 MANILA 12581

E.O. 11652: N/A
TAGS: EGEN, ETRD, BEXP, RP
SUBJECT: ADB PROCUREMENT

REF: (A) STATE 155300, (B) STATE 159654

1. SUMMARY: IN TALKS WITH AMERICAN BUSINESSMEN, CONSULTANTS AND GOP OFFICIALS, MAJOR CAUSES OF POOR AMERICAN ADB PROCUREMENT RECORD IDENTIFIED AS LACK OF INTEREST ON PART OF U.S. BUSINESS, UNFAVORABLE PRICE COMPETITIVENESS, AND FAILURE TO OBTAIN COMPLETE AND TIMELY INFORMATION. END SUMMARY
2. RELEVANT AND TIMELY INFORMATION IS PROBABLY MOST CRITICAL ELEMENT OF SUCCESSFUL COMPETITION FOR ADB PROCUREMENT. AT PRESENT THERE ARE THREE MAJOR SOURCES OF INFORMATION. ONE IS EMBASSY EARLY WARNING ON MAJOR PROJECTS DISSEMINATED THROUGH U.S. DEPARTMENT OF COMMERCE. ONE LOCAL BUSINESSMAN SUGGESTED THAT DISTRIBUTION OF THESE DOCUMENTS VIA LOCAL MAILING LIST WOULD BE MORE EFFECTIVE.
3. SECOND SOURCE IS ADB BANK DOCUMENTS, MANY OF WHICH ARE MARKED CONFIDENTIAL. PARTICULARLY IMPORTANT ARE MONTHLY OPERATIONAL SUMMARIES (PRESENTLY DISTRIBUTED TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 12581 01 OF 02 240852Z

SEVERAL CHAMBERS LOCALLY BY USADB), COUNTRY PROGRAMS, AND APPRAISAL REPORTS. USADB POLICY IN PAST HAS BEEN TO SEND THESE DOCUMENTS TO GOVERNMENT ENTITIES BUT NOT TO PRIVATE BUSINESSES. EMBASSY AND USADB HAVE ALLOWED BUSINESSMEN TO PERUSE THESE DOCUMENTS BUT NOT TO XEROX THEM, AND U.S. BUSINESSMEN COMPLAIN THAT OTHER EMBASSIES ARE NOT SO STRICT ABOUT DISSEMINATION OF THESE PAPERS.

EMBASSY UNDERSTANDS ADB NOW CONSIDERING DISSEMINATION OF SOME BANK DOCUMENTS ON SUBSCRIPTION BASIS.

4. THIRD AND BY FAR MOST IMPORTANT SOURCE OF INFORMATION IS DIRECT CONTACT WITH ADB AND HOST GOVERNMENT AGENCIES. SUCCESSFUL BIDS HAVE FREQUENTLY DEPENDED ON CLOSE MONITORING OF PROJECT FROM ITS GERMINATION IN EXECUTING AGENCY TO ADB LOAN APPROVAL. THIS KIND OF PERSONAL CONTACT, WHICH IS SOP FOR SOME LARGE COMPANIES IN AREA, CANNOT BE EFFECTIVELY REPLACED BY ANY USG PROGRAM. ONE METHOD EMPLOYED BY SOME EUROPEAN GOVERNMENTS IS THAT OF ATTACHING PUBLIC OR QUASI-PUBLIC TECHNICAL PEOPLE TO LOCAL COMPANY FOR PURPOSE OF SEEKING OUT ADB PROCUREMENT OPPORTUNITIES.

5. EVIDENCE OFFERED BY THE PHILIPPINE CASE SUPPORTS THE VIEW THAT IN-COUNTRY CONTACTS ARE IMPORTANT. U.S. FIRMS HAVE A LONG HISTORY HERE AND ARE PROBABLY MORE CLOSELY INVOLVED WITH LOCAL AGENCIES AND INSTITUTIONS THAN IN OTHER COUNTRIES IN THE AREA. STATISTICS INDICATE THAT OVER THE PAST THREE YEARS THE U.S. COMPANIES' AVERAGE SHARE OF PROCUREMENT FOR ADB PROJECTS IN THE PHILIPPINES WAS 14.8 PER CENT OF THE TOTAL COMPARED TO JAPANESE FIRMS WHICH ACCOUNTED FOR 17.3 PER CENT. IN FACT, IN 1977 AMERICAN COMPANIES HAD A LARGER SHARE THAN THE JAPANESE, 23.6 PER CENT AND 20.1 PER CENT, RESPECTIVELY.

LIMITED OFFICIAL USE

PAGE 03 MANILA 12581 01 OF 02 240852Z

THIS IS FAR BETTER THAN OUR OVERALL ADB RECORD. RECORD OF PHILIPPINE PROCUREMENT IN LAST THREE YEARS FOLLOWS IN THOUSAND U.S. DOLLARS:

COUNTRY OF SUPPLIERS	1975	1976	1977
-	AMT	PCT	AMT PCT
UNITED STATES	8548	13.4	1447 7.4 6287 23.6
JAPAN	7587	11.9	6117 31.1 5365 20.1

6. ADB PROCUREMENT STATISTICS INDICATE ERROR OF CONVENTIONAL WISDOM THAT WRITING PROJECT SPECIFICATIONS SERIOUSLY AFFECTS SELECTION OF SUPPLIER. SOME AMERICAN BUSINESSMEN CONTACTED CLAIM THEY HAVE HEARD OF ATTEMPT TO WRITE SPECS IN ADB PROJECT STUDIES IN ORDER TO BIAS SELECTION OF SUPPLIER. ON THE OTHER HAND, BANK OFFICIALS HAVE BEEN KNOWN TO WIDEN RANGE OF SPECS PREPARED BY CONSULTANT WITH LIMITED INTERNATIONAL EXPERIENCE.

7. SUCCESSFUL SUPPLY BIDDERS DO HOWEVER MAINTAIN CLOSE

CONTACT WITH CONSULTING FIRMS, PROVIDING THEM WITH SPEC SHEETS AND MONITORING CLOSELY PROGRESS OF STUDY. PROBABLY MORE IMPORTANT THAN SPECS THEMSELVES IS TIMING; IF COMPANY IS NOT ALREADY FAMILIAR WITH PROJECT BY THE TIME SPECS ARE BEING WRITTEN, IT IS PROBABLY TOO LATE TO PREPARE COMPETITIVE PROJECT PROPOSAL.

8. CLOSELY RELATED TO SPECS IS PROBLEM MENTIONED BY SUPPLIER OF CATERPILLAR EQUIPMENT THAT MANY ADB CONTRACTS ARE DETERMINED BY LOWEST BID, RATHER THAN "TOTAL COST",

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 12581 02 OF 02 240902Z

ACTION EA-12

INFO OCT-01 ISO-00 TRSE-00 AID-05 COME-00 EB-08

CIAE-00 INR-10 NSAE-00 SP-02 /038 W

-----035264 240924Z /11

R 240828Z JUL 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9003

LIMITED OFFICIAL USE SECTION 02 OF 02 MANILA 12581

A CONCEPT INCLUDING CONSIDERATIONS OF QUALITY AND AFTER-SALES SERVICE. U.S. COMPANIES, WHICH GENERALLY PRICE HIGHER BUT SELL ON STRONG PITCH FOR HIGH QUALITY AND BETTER SERVICE, ARE AT DISADVANTAGE VIS-A-VIS COMPETITORS WITH CUT-RATE PRICES, BUT PERHAPS ON LOWER END OF SPECS AND WITH POOR SERVICE. TWO POSSIBLE APPROACHES WOULD BE TO ENCOURAGE STRICTER SPECS AND TO PUSH FOR TOTAL COST CONCEPT RATHER THAN LOW-BID IN CHOOSING SUPPLIER. PROBLEMS WITH THESE APPROACHES, HOWEVER, ARE HIGHER CAPITAL COST ASSOCIATED WITH HIGHER SPECS, RESULTING IN POSSIBLE APPLICATION OF INAPPROPRIATE TECHNOLOGY, AND DIFFICULTIES DEFINING TOTAL COST WHEN ALL INFORMATION NOT AVAILABLE (I.E., COST OF SPARE PARTS, REPAIR, ETC.).

9. MORE IMPORTANT THAN THESE IMMEDIATE PROBLEMS ARE OVERALL STRUCTURAL OBSTACLES DISCOURAGING STEPPED-UP U.S. BUSINESS ACTIVITY IN THE AREA. ACCORDING TO ONE U.S. CONSULTANT U.S. SUPPLIERS HAVE "GIVEN UP ON ASIA". THE REASON HE GAVE WAS FEAR OF SCANDAL INVOLVING SEC AND CONGRESSIONAL INVESTIGATION INTO ILLICIT PAYMENTS. THE LACK OF INCENTIVES TO WORK ABROAD, EXACERBATED BY THREAT-

ENED CHANGES IN TAXATION UNDER 911, ALSO HAVE DAMPENED
U.S. BUSINESS ENTHUSIASM FOR ADB CONTRACTS, ATTITUDE
OF SOME BUSINESSMEN BEING IT JUST DOESN'T PAY TO EXPORT.
ALSO MANY U.S. COMPANIES, E.G., GE, WESTINGHOUSE, DRAVO,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 12581 02 OF 02 240902Z

GM HAVE JAPANESE LICENSEES WHO ARE ALSO COMPETING FOR
THESE CONTRACTS, AND ARE NOT VERY INTERESTED IN BIDDING
AGAINST THEIR LICENSEES.

10. EMBASSY HAS SEEN NO INDICATION THAT BIDDING PROCESS
IS BIASED OR UNFAIR. SOME MARGINAL ADVANTAGE MAY BE
GAINED BY HAVING NATIONALS ON ADB STAFF, PARTICULARLY
IN OBTAINING INFORMATION AND ESTABLISHING RAPPORT
NECESSARY TO MONITOR PROJECT CLOSELY. IN THIS RESPECT,
FLIGHT OF HIGH RANKING AMERICAN BANK OFFICIALS DUE TO
NEW U.S. TAX LEGISLATION MAY HAVE SOME DELETERIOUS EFFECT.

11. BUSINESSMEN WERE SOMEWHAT DOUBTFUL ABOUT WHAT USG
COULD DO TO IMPROVE U.S. PROCUREMENT RECORD. EVEN COM-
PLETE ACCESS TO ALL BANK DOCUMENTS WOULD DO LITTLE TO
IMPROVE U.S. PROCUREMENT, FOR REASON THAT BY TIME DOCU-
MENTS ARE WRITTEN IT IS OFTEN TOO LATE. NOTHING CAN
REPLACE PERSONAL CONTACT BY COMPANY REP WITH ADB AND
EXECUTING AGENCY OFFICIALS. SOME INCREMENTAL ADVANTAGE
COULD PERHAPS BE GAINED BY FREER DISSEMINATION OF BANK
AND EMBASSY DOCUMENTS LOCALLY, AS WELL AS ENCOURAGEMENT
OF TOTAL COST CONCEPT. BUT WITHOUT STRUCTURAL CHANGES
MAKING IT MORE PROFITABLE FOR AMERICAN COMPANIES TO
EXPORT TO ASIA, A DRAMATIC RISE IN ADB PROCUREMENT SEEMS
UNLIKELY.

12. THE COMPETITIVE DISADVANTAGE OF U.S. SUPPLIERS
VIS-A-VIS JAPANESE SUPPLIERS IS UNDERSTANDABLE. THE
JAPANESE OFTEN HAVE A SUITABLE PRODUCT ECONOMICALLY PRO-
DUCED AND ATTRACTIVELY FINANCED. THEY ARE ALSO CLOSE
TO THE MARKET. THIS PRICE ADVANTAGE OF COURSE MAY CHANGE
WITH THE APPRECIATION OF THE YEN. WHAT IS MORE PUZZLING
IS THE PERFORMANCE OF THE EUROPEANS. THE GERMANS, FOR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 12581 02 OF 02 240902Z

EXAMPLE, WHO HAVE HIGH-QUALITY PRODUCTS AND ARE DISTANT
FROM THIS MARKET, GET AS MUCH ADB BUSINESS AS THE U.S.
OUR TENTATIVE CONCLUSION IS THAT U.S. SUPPLIERS ARE LESS
INTERESTED IN ADB BUSINESS, LESS ACTIVE AND LESS AGGRES-
SIVE. PERHAPS THEY HAVE BECOME DISCOURAGED. INFORMA-

TION ON FREQUENCY OF BIDS FROM U.S. SUPPLIERS, BY SECTOR AND COUNTRY, WOULD BE INTERESTING, AND WE UNDERSTAND AN ADB OFFICIAL WILL BE PROVIDING THIS THROUGH USADB.

13. AN INTENSIVE STUDY OF ADB PROCEDURES, PROCUREMENT PROBLEMS MIGHT BE USEFUL, AND IS PROBABLY THE LEAST WE CAN DO TO ADDRESS THE ISSUE.

14. SINCE RECENT ELIMINATION OF POSITION FROM ECON/COM SECTION, WE ARE LESS ABLE TO GIVE SPECIAL ATTENTION TO ADB PROCUREMENT AND MAJOR PROJECTS REPORTING. THIS FUNCTION HAS NOW BEEN ASSUMED BY ECONOMIC/COMMERCIAL OFFICER HOWARD H. LANGE. MURPHY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROCUREMENT, DEVELOPMENT BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANILA12581
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780303-0053
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780728/aaaaaxcs.tel
Line Count: 237
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5c36f96d-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 155300, 78 STATE 159654
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1909039
Secure: OPEN
Status: NATIVE
Subject: ADB PROCUREMENT
TAGS: EGEN, ETRD, BEXP, RP
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/5c36f96d-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014